

66475

Order 99-10-23

SERVED NOV 1 1999



UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.

Issued by the Department of Transportation
on the 27th day of October, 1999

TRANSATLANTIC, TRANSPACIFIC,
AND LATIN AMERICAN SERVICE
SERVICE MAIL RATES
INVESTIGATION

Docket OST-96-1629 - 253
(Docket 37392)

ORDER TO SHOW CAUSE ESTABLISHING
FINAL INTERNATIONAL SERVICE MAIL RATES

Summary

By this order the Department proposes to establish new International mail rates for the period from January 1, 2000, through December 31, 2000. The rates that are currently in effect were established by Order 99-4-1, for the year ending December 31, 1999. Those rates will remain in effect as final rates through December 31, 1999, or until a final order is issued with respect to the rates proposed here, whichever is later.

For comparison purposes, a summary of proposed and prior rates are shown below.
Rates are for space-available and daylight-container mail only.

	<u>6/30/98</u>	<u>6/30/99</u>	<u>Change</u>
Atlantic	\$.1721	\$.1734	0.76%
Latin	\$.2649	\$.2353	-11.17%
Pacific	\$.2634	\$.25210	-4.29%
T-Border	\$.1587	\$.1616	1.83%
		Noncapacity	
Atlantic	\$.2512	\$.3271	30.21%
Latin	\$.2386	\$.2732	14.50%
Pacific	\$.2424	\$.2965	22.32%
T-Border	\$.0575	\$.0746	29.74%
		Departure	
T-Border	\$.0244	\$.0273	11.89%

Discussion

The proposed rates, which are contained in Appendix A, reflect the application of cost adjustment factors developed in the Appendices to the basic mail rate structures established by the Civil Aeronautics Board in Orders 78-11-80 and 80-1-25. The data used to adjust those rates reflect the carriers' reported costs of operations for the YE 6/30/98 and 6/30/99 as set forth in their DOT Form 41 Reports. In determining the proposed rates, we are continuing our practice of adjusting data reported by individual carriers that appear to be erroneous.¹

Changes in Average Rates

The application of these rates to the average mail length-of-haul² for the relevant areas produces proposed rates for calendar year 2000 that are 10.63% higher in the Atlantic, 1.91% lower in the Latin Area, 2.02% higher in the Pacific, and 14.96% higher in the Transborder area. However, these calculations are for the average length of haul and are based on rates for Sack Mail for the Transborder region and Priority/Military Ordinary mail for the other three regions. Depending on the proportions of Sack, Standard Container, Daylight Container, Priority and Space-Available Mail, the changes in average rates would be different.

Changes in Costs (See Appendix D)

For the linehaul cost category, there were generally moderate decreases in costs per ATM. This was the result of very significant declines in unit fuel costs from the prior year combined with generally minor increases in non-fuel linehaul unit costs.

This was not the case, however, for noncapacity unit costs. Except for a moderate 3.72% increase for the Pacific, noncapacity unit cost increases for the other areas ranged from 9 to 12%. The 9.10% overall increase in unit costs for the Atlantic was the result of hefty 20.33%, 15.35%, and 10.30% increases in unit costs for American, Delta, and TWA respectively, offset in part by an 18.93% decrease in unit costs for Continental. The explanation for TWA's unit cost increases may lie in its 22.31% decrease in year-over-year tons of baggage and cargo enplaned;³ for Delta, there was also a significant 4.52% decrease in tons enplaned. Furthermore Delta's unit cost increases were from a very low level relative to that of other carriers in the earlier period. For American, a small decrease of 1.99% in tons enplaned can only partly explain the 20% increase in unit costs.

¹ We have adjusted traffic servicing expenses assigned to baggage and cargo for Northwest, shown in Appendix C, corresponding to similar adjustments we have previously made to Northwest's data. See Order 97-5-23, at pages 3 and 4 for a full discussion of this issue. Also, we estimated USAir's Mail Tons Enplaned for the QE March 1999 because of an obvious reporting error at Charlotte for that period. The impact is not significant.

² Based on average lengths of haul in miles for the Atlantic, Latin, Pacific, and Transborder areas of 4,119, 2,653, 4,197, and 1,139 miles respectively.

³ We expect that noncapacity costs are somewhat fixed. Decreases in amount of traffic enplaned over time combined with somewhat fixed costs would produce increases in unit costs.

For the Latin area, the 12.07% increase in unit costs is the result of a 14.80% increase for American and a 27.30% increase for Delta. At Delta, the huge increase may partly be the result of the very low level for its unit costs in prior periods. Even after the 27.30% increase for Delta its costs were lower than those of other carriers in the region. American's increase in unit costs may be in part the result of a 5.11% decrease in its Tons of Baggage and Cargo Enplaned.

For the Transborder area, the biggest increase in unit costs was for Delta. Again, notwithstanding a 26.52% increase in Delta's unit costs the carrier remained among the lowest unit cost operators of any Transborder carrier. American and Northwest also experienced sizeable 12.92% and 16.33% increases in unit costs, which appear to be partly explained by the decreases in tons of baggage and cargo enplaned of 6.17% and 12.61% respectively for each carrier.

Although the unit cost increases in the noncapacity element for the Atlantic, Latin, and Transborder regions discussed above were significant, it can be seen from Appendix E that the resulting unit costs are not aberrantly high from an historical perspective. For the Atlantic and Pacific areas, the most recent unit noncapacity costs remained less than those experienced historically by the carriers in their respective regions. Noncapacity unit costs are now 50% higher than they were 10 years ago for the Latin area and only 35 % for the Transborder region.

The Department tentatively finds and concludes that:

1. The fair and reasonable rates of compensation to be paid in their entirety by the Postmaster General pursuant to the provisions of 49 U.S.C. 41901, for the transportation of mail by aircraft, the facilities used and useful therefor, and the services connected therewith, by each holder of a certificate authorizing the transportation of mail by aircraft in the Atlantic, Latin America, Pacific, and Transborder rate areas,⁴ for the period January 1 through December 31, 2000, are those specified in the attached Appendix A;
2. Ordering paragraph 3(g) of Order 79-7-16, incorporated by reference, is amended by adding the following:

	<u>Standard Container</u>	<u>Daylight Container</u>
January 1 through	4.960 cents	
December 31, 1999		4.918 cents

3. The fair and reasonable final rates of compensation for the transportation of mail by aircraft in international services for the period beginning January 1, 2001, until further order of the Department, shall be the final rates established for the period January 1 through December 31, 2000; and

⁴ The rate areas are delineated in Attachments 1, 2, and 3 to Civil Aeronautics Board Order 79-7-17, as modified by Order 84-12-113.

4. The terms and conditions applicable to the transportation of each class of mail at the rates established here are those set forth in Civil Aeronautics Board Orders 79-7-17 and 79-7-16.

ACCORDINGLY,

1. We direct all interested persons to show cause why the Department should not adopt the foregoing tentative findings and conclusions and fix, determine and publish the proposed final rates specified in Appendix A to be effective from January 1 through December 31, 2000, or until further order of the Department, whichever occurs later;
2. We direct all interested persons having objections to the tentative findings and conclusions, or the rates proposed here to file an Answer along with all supporting documents not later than forty five (45) days after the date of service of this order. Vague or unsupported Answers that do not include all proposed adjustments and backup data will not be accepted;
3. If no objection is filed within the designated time, or if a timely filed objection raises no material issues of fact, we will deem all further procedural steps waived. We then will enter an order incorporating the tentative findings and conclusions set forth here and establishing the final rates specified in the attached Appendix A;
4. This docket shall remain open until further order of the Department; and
5. We shall serve this order upon all parties to this proceeding.

By:

A. BRADLEY MIMS
Acting Assistant Secretary for Aviation
and International Affairs
(SEAL)

An electronic version of this document is available on the World Wide Web at
<http://dms.dot.gov>

The electronic version may not include all of the appendices

INTERNATIONAL SERVICE MAIL RATES

Effective: 1/1/1999, through 12/31/2000, or until further Department Action, whichever comes first.

	CY 1975 Rates	Adj. Factors	Proposed Rates
<u>Linehaul Charge per Billing Ton-Mile, Atlantic</u>			
Priority and Military Ordinary Mail	\$0.2022	33.83%	\$0.2706
Space-Available Mail	\$0.1296	33.83%	\$0.1734
<u>Terminal Charge per Pound Originated, Atlantic</u>			
Priority and Military Ordinary Mail	\$0.1139	218.48%	\$0.3627
Space-Available Mail	\$0.1027	218.48%	\$0.3271
<u>Linehaul Charge per Billing Ton-Mile, Latin</u>			
Priority and Military Ordinary Mail	\$0.2135	43.13%	\$0.3056
Space-Available Mail	\$0.1644	43.13%	\$0.2353
<u>Terminal Charge per Pound Originated, Latin</u>			
Priority and Military Ordinary Mail	\$0.0983	200.22%	\$0.2951
Space-Available Mail	\$0.0910	200.22%	\$0.2732
<u>Linehaul Charge per Billing Ton-Mile, Pacific</u>			
Priority and Military Ordinary Mail	\$0.2188	86.86%	\$0.4088
Space-Available Mail	\$0.1349	86.86%	\$0.2521
<u>Terminal Charge per Pound Originated, Pacific</u>			
Priority and Military Ordinary Mail	\$0.1339	155.79%	\$0.3425
Space-Available Mail	\$0.1159	155.79%	\$0.2965
<u>CY 1974 Rates</u>			
<u>Linehaul Charge per Billing Ton-Mile, Transborder</u>			
Sack	\$0.11490	125.11%	\$0.25865
Standard Container	\$0.08790	125.11%	\$0.19787
Daylight Container	\$0.07050	125.11%	\$0.15870
<u>Terminal Charge per Pound Originated, Transborder</u>			
<u>Capacity</u>			
Taxi			
Sack	\$0.00991	125.11%	\$0.02231
Standard Container	\$0.00979	125.11%	\$0.02204
Daylight Container	\$0.00973	125.11%	\$0.02190
Departure			
Sack	\$0.01186	134.38%	\$0.02780
Standard Container	\$0.01176	134.38%	\$0.02756
Daylight Container	\$0.01164	134.38%	\$0.02728
Noncapacity			
Sack	\$0.06064	327.18%	\$0.25904
Standard Container	\$0.01746	327.18%	\$0.07459
Daylight Container	\$0.01747	327.18%	\$0.07463
<u>Total Terminal Charge per Pound Originated, Transborder</u>			
Sack	\$0.08241		\$0.30915
Standard Container	\$0.03901		\$0.12419
Daylight Container	\$0.03884		\$0.12381

Capacity Expenses		Fuel		Other		Fuel Cost ATM		Other Cost ATM		Noncapacity Expenses		Tons of Baggage and Cargo Enplaned		Cost per ton Enplaned		Order 79-7-17, Appendix E				
Estimated	Percent Change	Year Ended June 30	Year to Year	Unit Cost at	June 30, 2000	Unit Cost at	June 30, 2000	Unit Cost at	June 30, 2000	Estimated	Percent Change	Tons of Baggage and Cargo Enplaned	Cost per ton Enplaned	Tons of Baggage and Cargo Enplaned	Cost per ton Enplaned	2/ Appendix C-1-A for non-fuel data and DOT Form 41, and #5145.2 for fuel.	1/ Per Order 79-7-17, Appendix E			
1998 21	1999 21	1998 21	1999 21	1998 21	1999 21	1998 21	1999 21	1998 21	1999 21	1998 21	1999 21	504,007	\$87,362	\$439,989	\$474,035	991,832	979,482	9.10%	\$552.02	218.48%
5901,432	\$776,904	\$3,067,533	\$3,325,617	\$951,403	5,416,524	15,968,965	\$4,102,521	16,841,083	15,737,992	\$0.0573	\$0.0461	\$0.1949	\$0.1975	\$0.133%	\$0.2436	\$0.2522	-3.41%	\$0.2350	33.83%	
Fuel	Total	Other	Total	Other	Available Ton-miles (000)	5,416,524	\$951,403	\$3,325,617	\$3,067,533	5901,432	1998 21	1998 21	1998 21	1999 21	1999 21	1998 21	1999 21	1998 21	1999 21	
Capacity Expenses	Fuel	Other	Fuel	Other	Capacity Expenses	Fuel	Other	Fuel	Other	Capacity Expenses	Fuel	Other	Fuel	Other	Fuel	Other	Capacity Expenses	Fuel		

COST ADJUSTMENT FACTORS

ATLANTIC RATE AREA

(Expenses in Thousands)

of the new rate is 6/30/2000. For example, for fuel, a 19.55% decrease: $.8045 \times .90225 = .7259$, or 27.41% decline in fuel is projected.
4/ Annual change adjusted for an 18-month lag, mid-point to mid-point. I.e., the midpoint of the historical costs for YE 6/30/99 is 1/1/99, and the mid-point

3/ 1999 unit costs divided by 1998 unit costs less the value of 1.

2/ Appendix C-1-A for non-fuel data and DOT Form 41, and #5145.2 for fuel.

3/ 1999 unit costs divided by 1998 unit costs less the value of 1.

4/ Annual change adjusted for an 18-month lag, mid-point to mid-point. I.e., the midpoint of the historical costs for YE 6/30/99 is 1/1/99, and the mid-point

COST ADJUSTMENT FACTORS
(Expenses in Thousands)

LATIN AMERICAN RATE AREA

	Year Ended June 30,		Year to Year % Change 3/	Estimated Unit Cost at June 30, 2000 4/	Percent Change CY 1975 to June 30, 2000
	1998 2/	1999 2/			
Capacity Expense					
Fuel	\$386,278	\$324,983			
Other	\$1,553,199	\$1,567,063			
Total	\$305,304	\$1,939,477			
Available Ton-miles (000)	1,560,336	6,039,859			
Fuel Cost/ATM					
Other Cost/ATM					
Total	\$0.1957	\$0.0640	\$0.0520	\$0.0383	-18.75%
		\$0.2572	\$0.2509	\$0.2418	-2.45%
		\$0.3212	\$0.3029	\$0.2801	-5.70%
					43.13%
Noncapacity Expense					
Tons of Bagg. & Cargo Enplaned	\$29,521	\$177,600	\$197,142		
Cost per Ton Enplaned	185.834	495.957	491.208		
	\$158.86	\$358.10	\$401.34		
				12.07%	
				\$476.93	200.22%

1/ Per Order 79-7-17, Appendix C

2/ Appendix C-2-L for non-fuel data and DOT Form 41, and #5145.2 for fuel.

3/ 1999 unit costs divided by 1998 unit costs less the value of 1.

4/ Annual change adjusted for an 18-month lag, mid-point to mid-point. I.e., the midpoint of the historical costs for YE 6/30/99 is 1/1/99, and the mid-point of the new rate is 6/30/2000. For example, for fuel an 18.75% decrease: .8125 x .90625 = .7363, or 26.37% decrease in terminal costs is projected.

PACIFIC RATE AREA

INTERNATIONAL SERVICE MAIL RATES

COST ADJUSTMENT FACTORS

(Expenses in Thousands)

Capacity Expenses	CA 1975 11	Year Ended June 30,	Year to Year Unit Cost at CY 1975 to June 30, 2000	Percent Change
Fuel	\$989,955	\$740,817	1998 2/	1999 2/
Other	\$3,435,934	\$3,213,606		
Total	\$511,324	\$4,425,889	Available Ton-miles (000)	3,670,476
			15,773,055	14,606,691
Fuel Costs/ATM	\$0.0628	\$0.0507	-19.27%	\$0.0370
Other-Cost/ATM	\$0.2178	\$0.2200	1.01%	\$0.2233
Total	\$0.1393	\$0.2806	-3.53%	\$0.2603
Noncapacity Expenses	\$42,934	\$479,352	\$476,581	\$148.19
Tons of Baggage and Cargo Enpl	289,713	1,385,737	1,328,296	\$345.92
Cost per Ton Enplaned			\$358.79	3.72%
1/ Per Order 79-7-17, Appendix E				\$379.06
2/ Appendix E-3-p for non-fuel data and DOT Form 41, and #5145.2 for fuel.				155.79%
3/ 1999 unit costs divided by 1998 unit costs less the value of 1.				
4/ Annual change adjusted for an 18-month lag, mid-point to mid-point. I.e., the midpoint of the historical costs to 01 YE 6/30/99 is 1/1/99, and the mid-point of the new rate is 6/30/2000. E.g., OR Noncapacity Cost of 1.0101 x 1.00505 = 1.0152, or 1.52% increase in terminal costs is projected.				

TRANSBORDER RATE AREA

Category	Description	Value	Change	Year Ended June 30, 2000	Year Ended June 30, 1999	Unit Cost at EA 1974 to June 30, 2000	Percent Change EA 1974 to June 30, 2000
Fuel	Capacitv Expenses 11	CY 197421	1998 31	1999 31	Year Ended June 30,	Estimate	Capacity Expenses 11
Other	Total	\$4,887,268	\$22,760,265	\$22,927,795	65,807,115	65,807,115	Available Ton-miles (000)
Other	Total	31,929,297	\$22,760,265	\$22,927,795	66,702,589	66,702,589	Available Ton-miles (000)
Fuel	Cost/ATM	\$0.07788	\$0.06620	-15.00%	\$0.05205	\$0.05205	Other Costs/ATM
Fuel	Total	\$0.07788	\$0.06620	-15.00%	\$0.05205	\$0.05205	Total
Other	Fuel Costs/ATM	\$0.07788	\$0.06620	-15.00%	\$0.05205	\$0.05205	Fuel Costs/ATM
Other	Total	\$0.26798	\$0.27753	3.56%	\$0.29253	\$0.29253	Other Costs/ATM
Fuel	Total	\$0.15307	\$0.34586	-0.62%	\$0.34458	\$0.34458	Total
Noncapacity Expense	Departure Related Expenses	\$965,920	\$4,188,484	\$4,433,029	65,807,115	66,702,589	Available Ton-Miles (000)
Noncapacity Expense	Cost Per Available Ton-Mile	\$0.03025	\$0.06365	\$0.06646	\$0.06646	\$0.06646	Cost Per Available Ton-Mile
Noncapacity Expense	Tons of Baggage Carried Endplaned	\$613,632	\$3,405,159	\$3,405,159	8,745,831	8,484,946	Tons of Baggage Carried Endplaned
Noncapacity Expense	Cost Per Ton Enplaned	\$117.37	\$389.35	\$430.57	\$430.57	\$430.57	Cost Per Ton Enplaned
Noncapacity Expense	Internal and terminal taxi expense.						Internal and terminal taxi expense.

5/ Annual change adjusted for an 18-month lag, mid-point to mid-point. I.e., the midpoint of the historical costs for YE 6/30/99 is 1/1/99, And the mid-point of the new rate is 6/30/2000. E.G., for department reallocated cost of 4.41%: $1.0441 \times 1.02205 = 1.0671$, Or 6.71%

Increase in departure related costs is projected.

Year Ended June 30, 1998									
Total	TWA	United	Notwest	Delta	Coutheast	American	\$183,091	\$1 36,426	\$259,929
Fuel Expense	\$62,453	\$1 62,569	\$901,432	\$31 8,400	\$800,165	\$3,968,965	\$949,508	\$506,478	\$1,002,788
Capacity Expenses 1/	\$116,027	\$39,540	\$90,292	\$41,417	4/	\$41,026	\$1 1,687	\$439,989	
Noncapacity Expenses 2/	3,540,730	1,895,782	4,422,408	1,427,301		1,112,766	3,339,005	1,5,737,992	
Available Miles (000)	51,730	138,929	271,057	75,726		51 , 2 3 0	220,620	991,832	
Tons of Baggage & Cargo Enplaned 3/	ZED,730								
Year Ended June 30, 1999									
fuel Expense	\$155,795	\$108,990	\$213,133	\$97,169		\$38,498	\$163,319	\$776,904	
Capacity Expenses 1/	\$977,921	\$561,334	\$955,233	\$480,565		\$256,893	\$870,585	\$4,102,521	
Noncapacity Expenses 2/	\$136,835	\$32,113	\$99,439	\$47,098	4/	\$35,157	\$123,393	\$474,035	
Available Ton-miles (000)	3,81 8,495	2,076,569	4,460,581	1,737,717		884,528	3,863,193	16,841,083	
Tons of Baggage & Cargo Enplaned 3/	229,607	139,181	258,799	83,763		E 9 , 8 0 0	228,332	979,482	
Sources: DOT Form 41 Reports									

- 1/ Total operating expenses less passenger service, traffic servicing, promotion and sales, related G&A, and transport related expenses.
- 2/ Traffic servicing expense-cargo and baggage (Cost Pool 112, Version 6 Costing Methodology, Updated, end related G&A expense).
- 3/ Baggage weighted at .0175 per passenger.
- 4/ Adjusted to reflect American's ratio of traffic servicing expense assigned to baggage and cargo to the total traffic servicing expense, 63.45 and 63.34 percent for 1998 and 1999, respectively.

Total traffic servicing expense, 63.45 and 63.34 percent for 1998 and 1999, respectively.

4/ Adjusted to reflect American's ratio of traffic servicing expense assigned to baggage and cargo to the total traffic servicing expense, 63.45 and 63.34 percent for 1998 and 1999, respectively.

ATLANTIC RATE AREA

(Expenses in Thousands of Dollars)

SUMMARY OF CARRIER OPERATING COSTS ASSIGNED TO MAIL

LATIN AMERICAN RATE AREA

(Expenses in Thousands of Dollars)

SUMMARY OF CARRIER OPERATING COSTS ASSIGNED TO MAIL

Year Ended June 30, 1998		Year Ended June 30, 1999	
Capital Expense	Amortization	Capital Expense	Amortization
Total	\$386,278	\$81,213	\$24,094
Interest	\$1,408,913	\$115,256	\$415,308
Noncapacitv Expenses 2/	\$136,676	\$9,000	\$31,924
Available Ton-miles (000)	4,154,590	409,543	1,475,726
Tons of Baggage & Cargo Enplaned 3/	371,785	35,458	88,714
Capital Expense 1/	\$1,939,477	\$1,939,477	495,957
Noncapacitv Expenses 2/	\$136,676	\$9,000	\$31,924
Available Ton-miles (000)	4,154,590	409,543	1,475,726
Tons of Baggage & Cargo Enplaned 3/	371,785	35,458	88,714
Capital Expense 1/	\$1,408,913	\$115,256	\$415,308
Noncapacitv Expenses 2/	\$136,676	\$9,000	\$31,924
Available Ton-miles (000)	4,154,590	409,543	1,475,726
Tons of Baggage & Cargo Enplaned 3/	371,785	35,458	88,714
Capital Expense 1/	\$221,318	\$28,775	\$74,890
Noncapacitv Expenses 2/	\$1,315,874	\$160,378	\$415,794
Available Ton-miles (000)	4,047,187	595,092	1,602,334
Tons of Baggage & Cargo Enplaned 3/	352,800	45,697	92,711
Capital Expense 1/	\$324,983	\$1,892,046	\$1,892,046
Noncapacitv Expenses 2/	\$148,890	\$14,765	\$33,487
Available Ton-miles (000)	6,244,613	6,244,613	\$197,142
Tons of Baggage & Cargo Enplaned 3/	491,208	92,711	92,711

C-2-1

PACIFIC RATE AREA

(Expenses in Thousands of Dollars)

SUMMARY OF CARRIER OPERATING COSTS ASSIGNED TO MAIL

Year Ended June 30, 1998		Year Ended June 30, 1999	
Continent	Federal	Continent	Federal
Micronesia	Expenses	Northwest	United
\$81,092	\$90,528	\$41,171	\$407,164
\$367,967	\$692,342	\$1,596,175	\$1,769,405
\$18,295	\$178,906	\$189,035 41	\$93,116
1,052,811	2,564,755	5,895,183	6,260,306
121,276	467,321	470,535	326,605
15,773,055	\$479,352	\$425,889	\$4,425,889
Total	\$989,955	\$4,225,889	\$4,225,889
Capacity Expenses 11	\$367,967	\$1,596,175	\$1,769,405
Noncapacity Expenses 21	\$18,295	\$178,906	\$189,035 41
Available Ton-miles (000)	1,052,811	2,564,755	5,895,183
Tons of Baggage & Cargo Enplaned 31	121,276	467,321	470,535
Fuel Expenses	\$48,410	\$76,882	\$287,029
Capacity Expenses 11	\$299,737	\$703,090	\$1,407,568
Noncapacity Expenses 21	\$13,774	\$202,718	\$1,544,028
Available Ton-miles (000)	871,576	\$175,158 41	\$84,931
Tons of Baggage & Cargo Enplaned 31	106,099	5,043,698	6,009,411
Baggage Weighted at .0175 per passenger.	\$13,774	\$202,718	\$1,544,028
Adjust to reflect the fixed ratio of 79.72% of traffic servicing expense assigned to baggage and cargo to the total traffic servicing expense extant in YE 9/30/88.	\$13,774	\$202,718	\$1,544,028
Total operating expenses less passenger service, traffic servicing, promotion and sales, related G&A, and transport related expenses.	\$740,817	\$328,496	\$328,496
Traffic servicing expense-cargo and baggage (Cost Pool 112), Version 0 Costing Methodology, Updated, and related G&A expense.	\$740,817	\$328,496	\$328,496
Total operating expenses less passenger service, traffic servicing, promotion and sales, related G&A, and transport related expenses.	\$740,817	\$328,496	\$328,496

Sources: DOT Form 41 Reports

- 1/ Total operating expenses less passenger service, traffic servicing, promotion and sales, related G&A, and transport related expenses.
- 2/ Traffic servicing expense-cargo and baggage (Cost Pool 112), Version 0 Costing Methodology, Updated, and related G&A expense.
- 3/ Baggage weighted at .0175 per passenger.
- 4/ Adjust to reflect the fixed ratio of 79.72% of traffic servicing expense assigned to baggage and cargo to the total traffic servicing expense extant in YE 9/30/88.

TRANSBORDER RATE AREA

(Expenses in Thousands of Dollars)

SUMMARY OF CAREER OPERATING COSTS ASSIGNED TO MAIL

Appendix C-4-T

ATLANTIC RATE AREA

COMPARISON OF UNIT COSTS BY CARRIER

	American	Canadian	Caribbean	Delta	Northwest	TWA	Total	United
Unit Cost of Fuel								
Year Ended June 30, 1998	\$0.0517	\$0.0720	\$0.0588	\$0.0679	\$0.0561	\$0.0487	\$0.0573	\$0.0461
Year Ended June 30, 1999	\$0.0408	\$0.0525	\$0.0478	\$0.0559	\$0.0435	\$0.0423	\$0.0423	\$0.0461
Year Ended June 30, 1998	-21.08%	-27.08%	-18.71%	-17.67%	-22.46%	-13.14%	-19.55%	Percentage Change
Year Ended June 30, 1999	-0.2153	\$0.2178	\$0.1664	\$0.2206	\$0.2469	\$0.1831	\$0.1975	Percentage Change
Year Ended June 30, 1998	\$0.2165	\$0.1952	\$0.1680	\$0.2064	\$0.2300	\$0.1910	\$0.1949	1.33%
Year Ended June 30, 1999	-0.55%	11.58%	-0.95%	6.88\$	7.35%	4.14%	1.33%	Percentage Change
Unit Cost of Nonfuel	\$0.2682	\$0.2672	\$0.2268	\$0.2744	\$0.2861	\$0.2396	\$0.2522	Year Ended June 30, 1998
Year Ended June 30, 1999	\$0.2561	\$0.2703	\$0.2141	\$0.2765	\$0.2904	\$0.2254	\$0.2436	Percentage Change
Unit Cost Noncapacity	\$495.27	\$284.61	\$333.11	\$546.93	\$800.82	\$506.24	\$443.61	Year Ended June 30, 1998
Year Ended June 30, 1999	\$955.95	\$230.73	\$384.23	\$562.28	\$883.34	\$540.41	\$483.96	Percentage Change
Unit Cost Non-Miles	3,540.730	1,895.782	4,422.408	1,427.301	1,112.766	3,339.005	15,737.992	Year Ended June 30, 1998
Year Ended June 30, 1999	3,818.495	2,076.569	4,460.581	1,737.177	884.528	3,863.193	16,841.083	Percentage Change
Available Ton-Miles	3,540.730	1,895.782	4,422.408	1,427.301	1,112.766	3,339.005	15,737.992	Year Ended June 30, 1998
Year Ended June 30, 1999	3,818.495	2,076.569	4,460.581	1,737.177	884.528	3,863.193	16,841.083	Percentage Change
Tons of Baggage	234,270	138,929	271,057	75,726	51,230	220,620	991,832	Year Ended June 30, 1998
Year Ended June 30, 1999	229,607	139,181	258,799	83,763	39,800	228,332	979,482	Percentage Change
Per centage Change	-1.99%	0.18\$	-4.52%	10.61%	-22.31%	3.50%	-1.25%	Year Ended June 30, 1999

COMPARISON OF UNIT COSTS BY CARTRIDGE

COMPARISON OF UNIT COSTS BY CARRIER

PACIFIC RATE AREA

Continent	Federal	Express	Northwest	Limited	Total	
Micronesia	\$0.0770	\$0.0353	\$0.0697	\$0.0650	\$0.0628	-27.92%
Year Ended June 30, 1998	\$0.0555	\$0.0287	\$0.0569	\$0.0547	\$0.0507	-19.27%
Year Ended June 30, 1999	\$0.0770	\$0.0353	\$0.0697	\$0.0650	\$0.0628	-18.70%
Year Ended June 30, 1998	\$0.2725	\$0.2346	\$0.2010	\$0.2176	\$0.2178	5.83%
Year Ended June 30, 1999	\$0.2884	\$0.2335	\$0.2222	\$0.2023	\$0.2200	-0.47%
Year Ended June 30, 1998	\$0.345	\$0.2699	\$0.2708	\$0.2826	\$0.2806	-1.60%
Year Ended June 30, 1999	\$0.3439	\$0.2622	\$0.2791	\$0.2569	\$0.2707	-2.85%
Year Ended June 30, 1998	\$150.85	\$382.83	\$401.74	\$285.10	\$345.92	-13.94%
Year Ended June 30, 1999	\$129.82	\$427.63	\$405.74	\$268.39	\$358.79	-11.70%
Year Ended June 30, 1998	1,052,811	2,564,755	5,895,183	6,260,306	15,773,055	-17.21%
Year Ended June 30, 1999	871,576	2,682,006	5,043,698	6,009,411	14,606,691	-4.57%
Available Ton-Miles						
Year Ended June 30, 1998	1,21,276	467,321	470,535	326,605	1,385,737	-12.31%
Year Ended June 30, 1999	106,099	474,047	481,702	316,448	1,328,296	-1.44%
Tons of Baggage & Cargo Fmp.						
Year Ended June 30, 1998	106,099	474,047	481,702	316,448	1,328,296	-8.25%
Year Ended June 30, 1999	121,276	467,321	470,535	326,605	1,385,737	-3.11%
Percent Change						-4.15%

TRANSBOARDER RATE AREA

	American	Continental	DCLA	Northwest	United	USAir	LAD	Total	Continental
Unit Cost of Fuel	\$0.2338	\$0.3084	\$0.2406	\$0.2284	\$0.2846	\$0.3788	\$0.2681	%0.2680	Unit Cost of Nonfuel
Year Ended June 30, 1998	\$0.2422	\$0.3418	\$0.2453	\$0.2655	\$0.2790	\$0.3733	\$0.2939	\$0.2775	Unit Cost of Fuel + Nonfuel
Year Ended June 30, 1999	\$0.3038	\$0.3948	\$0.3227	\$0.3104	\$0.3583	\$0.4585	\$0.3730	\$0.3459	Unit Cost of Svc. & Grid
Year Ended June 30, 1998	\$0.0610	\$0.0459	\$0.0632	\$0.0678	\$0.0576	\$0.0975	\$0.0296	\$0.0636	Unit Cost of Noncapacity
Year Ended June 30, 1999	\$0.0601	\$0.0457	\$0.0638	\$0.0762	\$0.0601	\$0.1132	\$0.0345	\$0.0665	Year Ended June 30, 1998
Year Ended June 30, 1998	-1.48%	-0.44%	0.95%	12.39%	4.34%	16.10%	16.55%	4.56%	Year Ended June 30, 1999
Year Ended June 30, 1998	\$572.01	\$241.51	\$227.62	\$508.92	\$414.69	\$18.82	\$190.82	\$389.35	Year Ended June 30, 1998
Year Ended June 30, 1999	\$645.93	\$262.14	\$287.99	\$592.05	\$436.41	\$427.60	\$165.95	\$430.57	Year Ended June 30, 1999
Year Ended June 30, 1998	12.92%	8.54%	26.52%	16.33%	5.24%	2.10%	-13.03%	10.59%	Year Ended June 30, 1998
Year Ended June 30, 1999	15,126,399	5,719,247	14,396,296	8,205,881	14,573,701	6,878,606	906,985	65,807,115	Year Ended June 30, 1998
Year Ended June 30, 1999	14,811,825	6,103,886	14,580,988	7,778,248	15,454,154	6,816,572	1,157,116	66,702,589	Year Ended June 30, 1999
Year Ended June 30, 1998	1,331,187	765,354	2,261,236	1,116,912	1,869,397	1,126,297	75,448	8,745,831	Year Ended June 30, 1998
Year Ended June 30, 1999	1,436,784	784,600	2,240,607	976,086	1,894,870	1,064,056	87,943	8,484,946	Year Ended June 30, 1999
Tons of Bag. & Cargo/Ftp.	-6.17%	2.51%	-0.91%	-12.61%	1.36%	-5.53%	16.56%	-2.98%	Percentagge Change

Historical Trends in Costs Underlying International Mail Rates

LATIN DATA BASE												
Order	Year	Fuel	Non-Fuel	Terminal	Order	Fuel	Non-Fuel	Terminal	Order	Fuel	Non-Fuel	
1.	9/30/85	\$0.0747	\$0.1852	\$396.32	90-1-59	\$0.0955	\$0.2238	\$270.79	91-8-S	\$0.0614	\$0.2692	\$261.26
2.	9/30/90	\$0.0882	\$0.1967	\$475.33	91-8-S	\$0.0614	\$0.2692	\$261.26	91-8-S	\$0.1039	\$0.2444	\$657.51
3.	9/30/91	\$0.0882	\$0.2060	\$508.24	91-8-S	\$0.1025	\$0.2713	\$295.57	92-4-30	\$0.1196	\$0.2640	\$352.64
4.	9/30/92	\$0.0775	\$0.2161	\$617.80	94-8-27	\$0.0882	\$0.2764	\$367.71	95-6-32	\$0.0743	\$0.2141	\$563.42
5.	9/30/93	\$0.0743	\$0.2161	\$617.80	94-8-27	\$0.0882	\$0.2764	\$367.71	95-6-32	\$0.0653	\$0.2077	\$470.30
6.	9/30/94	\$0.0653	\$0.1976	\$465.09	97-S-EZ	\$0.0636	\$0.2471	\$308.47	97-5-23	\$0.0600	\$0.1976	\$469.76
7.	9/30/95	\$0.0600	\$0.1976	\$465.09	97-S-EZ	\$0.0679	\$0.2568	\$338.34	97-S-EZ	\$0.0665	\$0.1931	\$457.22
8.	9/30/96	\$0.0661	\$0.2071	\$469.76	99-t-I	\$0.0758	\$0.2518	\$324.00	95-6-32	\$0.0741	\$0.1871	\$322.75
9.	6/30/97	\$0.0719	\$0.1967	\$457.22	99-P-I	\$0.0758	\$0.2518	\$324.00	95-6-32	\$0.0741	\$0.1871	\$322.75
10.	6/30/98	\$0.0573	\$0.1949	\$443.61	New	\$0.0520	\$0.2509	\$401.34	New	\$0.0507	\$0.2200	\$358.79
11.	6/30/99	\$0.0461	\$0.1975	\$483.96	New	\$0.0628	\$0.2178	\$358.35	99-P-I	\$0.0795	\$0.2115	\$372.36
12.	6/30/00	\$0.0572	\$0.2572	\$358.10	99-P-I	\$0.0779	\$0.2679	\$391.56	90-1-59	\$0.0747	\$0.1852	\$396.32

TRANSPORTER DATA BASE												
Order	Year	Fuel	Non-Fuel	Terminal	Order	Fuel	Non-Fuel	Terminal	Order	Fuel	Non-Fuel	
1.	90-1-59	\$0.0730	\$0.1490	\$211.67	90-1-59	\$0.0879	\$0.19361	\$0.0586	92-4-30	\$0.0741	\$0.1870	\$20371
2.	91-8-S	\$0.0807	\$0.1724	\$259.58	91-8-S	\$0.1029	\$0.2114	\$0.06388	95-6-32	\$0.0741	\$0.1871	\$211.67
3.	91-8-S	\$0.0881	\$0.1809	\$269.40	91-8-S	\$0.1029	\$0.2114	\$0.06388	95-6-32	\$0.0741	\$0.1871	\$211.67
4.	92-4-30	\$0.1066	\$0.1870	\$282.19	92-4-30	\$0.1127	\$0.23374	\$0.06822	95-6-32	\$0.0741	\$0.1871	\$222.75
5.	M-8-ZT	\$0.1127	\$0.1925	\$331.93	94-8-27	\$0.0905	\$0.23443	\$0.06726	95-6-32	\$0.0741	\$0.1871	\$337.85
6.	95-6-32	\$0.1127	\$0.1925	\$331.93	95-6-32	\$0.0951	\$0.24185	\$0.06822	95-6-32	\$0.0741	\$0.1871	\$337.85
7.	95-6-32	\$0.1127	\$0.1925	\$331.93	95-6-32	\$0.0951	\$0.24185	\$0.06822	95-6-32	\$0.0741	\$0.1871	\$337.85
8.	97-5-23	\$0.1166	\$0.2038	\$391.95	97-S-EZ	\$0.0743	\$0.24389	\$0.06248	97-5-23	\$0.1166	\$0.2125	\$378.83
9.	97-5-23	\$0.1166	\$0.2038	\$391.95	97-S-EZ	\$0.0743	\$0.24389	\$0.06248	97-5-23	\$0.1166	\$0.2125	\$378.83
10.	97-5-23	\$0.1166	\$0.2038	\$391.95	99-P-I	\$0.0795	\$0.2115	\$372.36	99-P-I	\$0.0795	\$0.2115	\$372.36
11.	97-5-23	\$0.1166	\$0.2038	\$391.95	99-P-I	\$0.0795	\$0.2115	\$372.36	99-P-I	\$0.0795	\$0.2115	\$372.36
12.	99-P-I	\$0.1949	\$0.443.61	\$483.96	New	\$0.0520	\$0.2509	\$401.34	New	\$0.0507	\$0.2200	\$358.79

PACIFIC DATA BASE												
Order	Year	Fuel	Non-Fuel	Terminal	Order	Fuel	Non-Fuel	Terminal	Order	Fuel	Non-Fuel	
1.	90-1-59	\$0.0730	\$0.1490	\$211.67	90-1-59	\$0.0879	\$0.19361	\$0.0586	92-4-30	\$0.0741	\$0.1870	\$20371
2.	91-8-S	\$0.0807	\$0.1724	\$259.58	91-8-S	\$0.1029	\$0.2114	\$0.06388	95-6-32	\$0.0741	\$0.1871	\$211.67
3.	91-8-S	\$0.0881	\$0.1809	\$269.40	91-8-S	\$0.1029	\$0.2114	\$0.06388	95-6-32	\$0.0741	\$0.1871	\$211.67
4.	92-4-30	\$0.1066	\$0.1870	\$282.19	92-4-30	\$0.1127	\$0.23374	\$0.06822	95-6-32	\$0.0741	\$0.1871	\$222.75
5.	M-8-ZT	\$0.1127	\$0.1925	\$331.93	94-8-27	\$0.0905	\$0.23443	\$0.06726	95-6-32	\$0.0741	\$0.1871	\$337.85
6.	95-6-32	\$0.1127	\$0.1925	\$331.93	95-6-32	\$0.0951	\$0.24185	\$0.06822	95-6-32	\$0.0741	\$0.1871	\$337.85
7.	95-6-32	\$0.1127	\$0.1925	\$331.93	95-6-32	\$0.0951	\$0.24185	\$0.06822	95-6-32	\$0.0741	\$0.1871	\$337.85
8.	97-5-23	\$0.1166	\$0.2038	\$391.95	97-S-EZ	\$0.0743	\$0.24389	\$0.06248	97-5-23	\$0.1166	\$0.2125	\$378.83
9.	97-5-23	\$0.1166	\$0.2038	\$391.95	97-S-EZ	\$0.0743	\$0.24389	\$0.06248	97-5-23	\$0.1166	\$0.2125	\$378.83
10.	97-5-23	\$0.1166	\$0.2038	\$391.95	99-P-I	\$0.0795	\$0.2115	\$372.36	99-P-I	\$0.0795	\$0.2115	\$372.36
11.	97-5-23	\$0.1166	\$0.2038	\$391.95	99-P-I	\$0.0795	\$0.2115	\$372.36	99-P-I	\$0.0795	\$0.2115	\$372.36
12.	99-P-I	\$0.1949	\$0.443.61	\$483.96	New	\$0.0520	\$0.2509	\$401.34	New	\$0.0507	\$0.2200	\$358.79